

Message Text

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ACTION NEA-10

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FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 7018

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E.O. 11652: GDS

TAGS: BDIS, TC

SUBJECT: JOHN J. MCMULLEN ASSOCIATES (JJMA) AND DUBAI DRYDOCK

REF: (A) STATE 270592, (B) ABU DHABI 3271, (C) STATE 284798

1. ON DEC 5, I MET WITH MINFINANCE AND CHAIRMAN DUBAI DRYDOCK SHAIKH HAMDAN BIN RASHID TO DISCUSS JJMA PROBLEM. HE HAD PREVIOUSLY BEEN GIVEN BY OIC IN DUBAI ON NOVEMBER 28 A COPY OF ALL THE DOCUMENTS WHICH EMBASSY RECEIVED FROM MCMULLEN UNDER COVER LETTER DATED OCT, 20, 1977. THIS INCLUDED UNDATED COPY OF PETITION FROM JJMA TO RULER DUBAI SHAIKH RASHID.

2. SINCE MINISTER HAD NOT HAD TIME TO REVIEW DOCUMENTS CAREFULLY, I SUMMARIZED MY UNDERSTANDING OF DISPUTE ALONG LINES OF CHRONOLOGY SET FORTH IN REFB. I CONCLUDED MY PRESENTATION BY STATING THAT IT WAS OUR INTEREST THAT THERE BE AN AMICABLE SETTLEMENT WHICH OTHERWISE COULD PROVIDE A DISCORDANT NOTE IN US COMMERCIAL RELATIONS WITH DUBAI ESPECIALLY AT A TIME WHEN MORE AND MORE AMERICAN COMPANIES WERE INTERESTED IN PLAYING AN ACTIVE ROLE IN NORTHERN EMIRATES.

3. HAMDAN'S RESPONSE WAS THAT DUBAI GOVERNMENT

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HAD GOOD BUSINESS, COMMERCIAL, AND BANKING REPUTATION AND WANTED TO KEEP IT. THE DOSSIER WOULD BE STUDIED AND IF THERE WAS A CLAIM TO PAY, IT WOULD DO SO. DUBAI GOVT HAD NO INTENTION OF WELSHING ON VALID AGREEMENTS BUT HIS PERSONAL FEELING WAS THAT DUBAI HAD NO LEGAL OBLIGATION TO JJMA. HAMDAN SAID HE HAD HAD LITTLE CONTACT

WITH JJMA UNTIL MAY 1973 WHEN PROJECT MANAGEMENT AND SHIPYARD MANAGEMENT AGREEMENTS HAD BEEN SIGNED BY MAHDI TAJIR SUBJECT TO SHAIKH RASHID'S APPROVAL. HE HAD ARGUED AT TIME THAT THESE CONTRACTS WERE NOT BENEFICIAL TO DUBAI BECAUSE JJMA WANTED A 5 PERCENT COMMISSION ON ALL IMPORTED ITEMS WHILE AT THE SAME TIME REFUSING TO COMMIT ITSELF TO AN INVESTMENT RELATIONSHIP WHERE THE SHAREHOLDERS WOULD SHARE ANY LOSSES AS WELL AS ANY PROFIT IN THE VENTURE. IN OTHER WORDS, DUBAI WAS ASSUMING ALL THE RISKS. FURTHERMORE, HE NOTED THAT ORIGINALLY JJMA AND GALADARE HAD AGREED TO ARRANGE ALL THE FINANCING FOR THE DRYDOCK. YET LATER, DUBAI HAD TO RAISE MONEY IN ITS OWN NAME WITH SHAIKH RASHID'S GUARANTEE. HANDAN ALSO COMPLAINED ABOUT TWHAT HE FELT WERE "HIGH PRESSURE TACTICS" IN SUMMER OF 1973 BY JJMA TO SIGN CONTRACTS WITHOUT ADEUATE REVIEW BY DUBAI LEGAL COUNSEL. HAMDAN MENTIONED THAT WHEN IN WASHINGTON LAST AUGUST FOR IBRD/IMF MEETINGS, HE HAD MET WITH MCMULLEN, WHO HAD SAID THAT JJMA WANTED A "FRESH START" AND PROMISED CONTACT HAMDAN AGAIN.

4. MINISTER THEN MENTIONED THAT DRYDOCK IS A VERY BIG PROJECT WHICH WILL REQUIRE CAPABLE MANAGEMENT. NOW THAT DRYDOCK WAS ALMOST COMPLETED, A DECISION ON HAVING AN OPERATIONS MANAGER HAD TO BE MADE SOON. DUBAI LIMITED OFFICIAL USE

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WANTED THE DRYDOCK TO BE A COMMERCIAL, NOT A GOVERNMENT VENTURE, SO AS TO ASSURE THAT IT WOULD BE INCOME-PRODUCING. HOWEVER, HE DID SAY THAT PAYMENTS DUE ON INTEREST AND PRINCIPAL FOR LOANS EXTENDED FOR VENTURE WOULD HAVE TO COME FROM "DUBAI'S OTHER INCOME". AT PRESENT TIME, DRYDOCK COMPANY CONSIDERING A NUMBER OF COMPANIES WITH PROVEN EXPERIENCE TO BE MANAGERS OF DRYDOCK. THREE OF THE COMPANIES ARE AMERICAN AND ONE OF THESE IS JJMA. HE COULD NOT SAY WHAT FINAL DECISION WOULD BE BUT COULD REPORT THAT SHAIKH RASHID HAD INDICATED HIS PERSONAL PREFERENCE THAT MANAGER BE AN AMERICAN FIRM.

5. I TOLD HAMDAN THAT I INTENDED TO RAISE THIS MATTER WITH HIS FATHER, SHAIKH RASHID, AND WILL DO SO AT AN APPROPRIATE TIME. MEANWHILE, DEPT MAY WISH INFORM JJMA OF GENERAL TENOR OF HAMDAN'S INITIAL RESPONSE AS REPORTED IN PARA 3. DICKMAN

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